

**Congress of the United States**  
**Joint Economic Committee**  
**Minority**

106TH CONGRESS  
244 FORD HOUSE OFFICE  
BUILDING  
WASHINGTON, DC 20515  
202-226-4066  
FAX 202-225-0505

**FORTNEY PETE STARK, CA**  
RANKING MEMBER

February 9, 2000

**Significant Growth in Pharmaceutical Costs  
Drive Up Total Health Care Expenditures**

Dear Colleague:

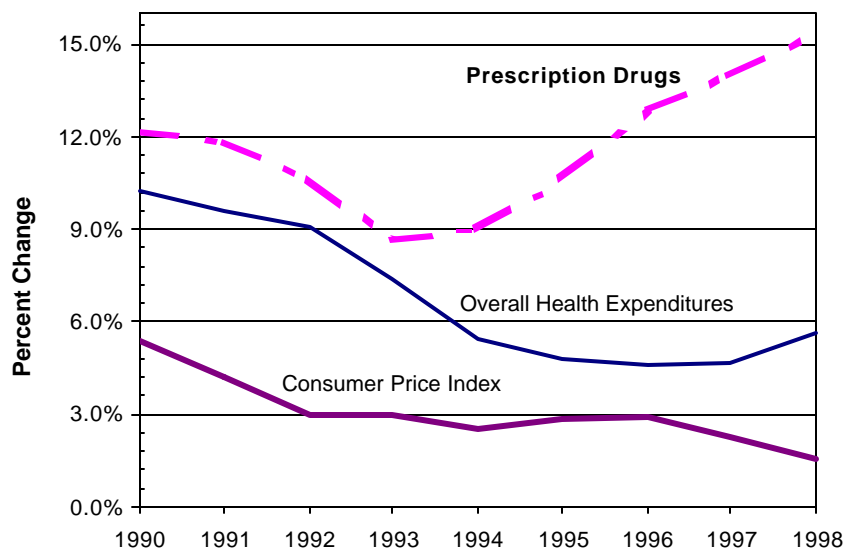
As we begin to consider important legislation to improve our health care system, I thought you might be interested in seeing the results of a recent survey on health care costs prepared by the Health Care Financing Administration (HCFA). The survey reports that total health care costs rose by 5.6 percent in 1998, in large part due to a 15.4 percent increase in spending on prescription drugs. These data suggest that we may be beginning to lose many of the financial gains made in health care costs during the 1990s.

The 1998 increases in prescription drug costs, premiums and overall private health care spending were among the highest in years. In contrast, increases in government health care spending slowed.

The HCFA report's highlights include:

- **Total health care spending increased by 5.6 percent in 1998, the largest increase since 1993.** By contrast, overall health care costs moderated during most of the last decade, despite an aging population.

**Recent Growth in Health Care Expenditures**



- **Spending on prescription drugs rose faster than any other category** of health care, increasing by 15.4 percent in 1998. This is the fourth year in a row in which prescription drug expenditures rose *by more than 10 percent*.
- **Insurance premiums increased by 8.2 percent in 1998, more than double the increase in each of the previous three years.**
- **Medicare spending in 1998 increased by only 2.5 percent, down from 6.0 percent the previous year.** In addition, preliminary data from the Treasury Department indicates that government spending on Medicare in fiscal year 1999 may have actually *declined*.
- According to HCFA's analysis, **only one quarter of the increase in total health care expenditures was due to economy-wide inflation.** The remainder was due to increasing use of health services and the costs of those services rising faster than general inflation.
- **Total spending on health care in 1998 accounted for 13.5 percent of GDP.**

Costs of health care, especially prescription drugs, are rising. At the same, government spending on health care has been relatively flat. We need to find a way to help our constituents deal with the fastest growing part of health care costs.

Please let me know if you would like more information on this report.

Sincerely,

Pete Stark, MC  
Ranking Member